

# Development of PACE in North Carolina

## Status Report

March 1, 2005

### **A. Executive Summary**

Responsibility for PACE Program development has been assigned to the Facility and Community Care Section of the Division of Medical Assistance (DMA). Two PACE positions have been established and one has been filled with an individual who has experience with HMOs and capitated medical care. This individual will serve as the project manager. A financial analyst is in the process of being hired.

At this time, the only health care organization in the state that has expressed interest in proceeding with the development of PACE and that has identified the necessary financial backing for PACE is Elderhaus, Inc. in Wilmington. In 2002, Elderhaus, Inc., invested in a PACE feasibility analysis. Elderhaus and the PACE Technical Assistance Center in Columbia, South Carolina are making plans to update the feasibility study. If PACE is determined to be financially feasible for the Wilmington area, Elderhaus will proceed with the development of a PACE Application to DMA and the Centers for Medicare and Medicaid Services (CMS). No potential PACE organization has been identified for Western North Carolina at this time.

The Division of Medical Assistance is moving forward with all necessary administrative requirements, including the amendment of the State Medicaid Plan and the development of policies, procedures, criteria, rates, and service standards in order to review provider applications and judge the adequacy of services. All of the program components are required for any PACE site developed and approved for North Carolina.

### **B. Legislative Requirements for PACE**

The General Assembly in Session Law 2004, House Bill 1414, Section 10.12.(a) required the Department of Health and Human Services (DHHS) to develop a pilot program to implement PACE. This legislation required DHHS to develop two pilot sites for PACE, one in the southeastern area of the State and the other in the western area of the State. There were funds appropriated to support two positions within the Division of Medical Assistance and the legislation also allowed for DMA to secure actuarial analysis as part of the pilot program development. In addition, DHHS is to report to the legislators on PACE pilot development on March 1, 2005. The report is to include the services that will be offered, administrative structure of the pilot program, the number of Medicare and Medicaid eligible recipients to be served, and the projected savings to the State from the pilot sites.

## **C. Background and Overview of PACE**

PACE is a national model for a capitated managed care program for the frail elderly that has been proposed by legislative action for North Carolina. The PACE model is regulated by the Centers for Medicare and Medicaid and once operational in the State, PACE will combine Medicaid and Medicare funding to serve persons who meet the nursing facility level of care. PACE offers a comprehensive array of services to those persons enrolled in the program. The enrollees receive oversight and intervention from professional staff, frequent and detailed medical reviews, and a wide array of services. The overall goal is to manage all the health and medical needs of this frail population to keep them out of the hospital or a nursing facility for as long as possible. PACE becomes the sole source of services for Medicare and Medicaid eligible enrollees.

An interdisciplinary team, consisting of professional and paraprofessional staff, assesses participants' needs, develops care plans, and delivers all services (including acute care services and nursing facility services) that are integrated for a seamless provision of total care. PACE programs provide social and medical services usually from an adult day health center, supplemented by in-home and referral services in accordance with the participant's needs. The PACE service package must include all Medicare and Medicaid covered services, and other services determined necessary by the multidisciplinary team for the care of the PACE participant.

PACE sites are developed by local health care organizations that meet all of the federal and state PACE requirements. Application is made to the Division of Medical Assistance and must be approved by CMS. PACE sites are at financial risk once patients start getting enrolled in PACE. Site development takes from 18 months to 2 years. The financial obligation of the local organization ranges from \$1.3 to \$2 million in up front development funds and few organizations are willing to take this level of financial risk to provide all the services to a nursing facility eligible population.

## **D. PACE Development in Wilmington**

A Feasibility Study performed by Palmetto Senior Care Technical Assistance group was completed for Elderhaus, Inc. of Wilmington in May of 2002. A general work plan covering the development activities was included as part of the Feasibility Study. Subsequently, Elderhaus identified foundation funding to assist in PACE development. Elderhaus has identified 30 patients who are likely PACE participants.

Elderhaus is currently working with its technical assistance consultants to update its Feasibility Study and reports that the study will be complete and submitted to the Division of Medical Assistance in late March 2005. If Elderhaus decides to submit a formal PACE Provider Application, the Division of Medical Assistance is prepared to work with them to meet federal and state requirements and standards.

## **E. PACE Development in Western North Carolina**

The North Carolina legislation mandated PACE sites in both the Eastern and the Western part of North Carolina. To date, no organization from the Western part of the state has committed to develop a PACE site. While states generally do not solicit PACE proposals, an effort will be undertaken to identify organizations in Western North Carolina that may have interest in receiving more information about PACE.

## F. PACE Development Activities

The Table 1 below describes PACE activities since passage of the initial legislation.

**Table 1: Progress in PACE Development**  
August 2004 to March 2005

<b>PACE Preliminary Research Planning and Building DMA Capacity</b>	<b>Steps and Estimated Target Dates</b>	<b>Status/Comments as of 2/20/2005</b>
Secure DMA staff resources to work on PACE	<ol style="list-style-type: none"> <li>1. Prepare job descriptions and unfreeze release forms for the Human Services Planner/Evaluator and the Business Officer positions – completed October 6, 2004</li> <li>2. Prepare position announcements and have posted – completed November 2004</li> <li>3. Applicant interviews and employee selection – completed January 2005</li> </ol>	<ol style="list-style-type: none"> <li>1. Responsibility for PACE development has been placed in the Facility and Community Care Section of DMA.</li> <li>2. Two positions have been approved for PACE.</li> <li>3. A qualified individual has been appointed PACE Policy Analyst and Project Manager.</li> <li>4. The Rate Setting Section of DMA is in the process of hiring a Financial Analyst to work with PACE.</li> </ol>
Determine status of activities of the Wilmington PACE group	<ol style="list-style-type: none"> <li>1. Make initial contact with the local group desiring to implement PACE – completed Sept. 2004</li> <li>2. Discussion with Dr. Marsha Fretwell of Wilmington re: local financing – completed October 13, 2004</li> </ol>	<p>The PACE Project Manager has established communications with Elderhaus and Palmetto Senior Care.</p> <p>Following update of the Feasibility Study in March 05, DMA will work with Elderhaus to develop an application to CMS that meets all state requirements and expectations.</p>
Review of PACE information and materials and determination of key issues for NC	<ol style="list-style-type: none"> <li>1. Contact the PACE Technical Assistance staff – completed August 2004</li> <li>2. Attend National PACE Conference October 11-13. This conference afforded the opportunity to meet and talk with PACE directors and other states that have PACE – completed October 2004</li> </ol>	<p>DMA has completed an extensive review of federal PACE regulations and materials available from CMS and the National PACE Association (NPA).</p> <p>DMA has established a working relationship with the Technical Assistance Center (Palmetto Senior Care in Columbia, SC).</p>
Seek Department of Insurance information on PACE	Review DOI regulations re: HMO licensure – completed November 2004	<p>North Carolina General Statute 58-67-10-(b) (3a) expressly exempts all programs “certified, qualified, or otherwise approved by the Division of Medical Assistance” from meeting HMO licensure requirements and DOI regulation.</p> <p>Interpretation of this statute was verified with the Attorney General’s Office.</p>

<b>PACE Preliminary Research Planning and Building DMA Capacity</b>	<b>Steps and Estimated Target Dates</b>	<b>Status/Comments as of 2/20/2005</b>
Determine need for the services of independent consultants for financial/actuarial analysis of factors critical for PACE	<ol style="list-style-type: none"> <li>1. Document Medicaid system requirements from the Elderhaus Feasibility Study – completed November 2004</li> <li>2. Review Medicaid system requirements and considerations with Palmetto Senior Care in March 2005.</li> <li>3. Determine if items and considerations change the Feasibility analysis and the extent of the change. Request revisions in the Feasibility Analysis from Palmetto Senior Care Technical Assistance team based on DMA input by March 2005.</li> <li>4. If determined advisable, begin working on draft contract materials– March 2005.</li> <li>5. Complete contract materials by March, 2005.</li> <li>6. Obtain actuarial consulting services by May 05.</li> </ol>	<p>Financial analysis for Elderhaus being conducted by Technical Assistance Center.</p> <p>DMA will expand contract with its actuarial consultants, who will assist in the development of the PACE capitation rate and review any fiscal analysis conducted by the applicant organization. The scope of work is drafted and under review by DMA contracting staff.</p>

## **G. Proposed Services and Anticipated Participation in PACE**

PACE provider organizations assume full financial risk for all care and services required by PACE participants without limits on the amount, duration, or scope of services. These services typically include:

- Adult Day Health Care services to include skill nursing services, physical therapy, occupational therapy, recreational therapy, meals, nutritional counseling, social work, and personal care;
- Language and speech therapy;
- Primary medical care provided by a PACE physician;
- Specialty physician care;
- Diagnostic, x-ray, and laboratory services;
- Dental care;
- Vision care;
- Home health care and in-home personal care services;
- Prescription drugs;
- Respite care; and
- Hospital and nursing home care when necessary

Population projections for the Wilmington Metropolitan Statistical Area (MSA) for 2006 indicate that there will be 35,820 individuals age 65 and older. The 2002 Elderhaus Financial Feasibility Study estimates that, within this number, there are 1,161 frail elders who will meet PACE participation requirements (meeting nursing facility level of care criteria, agreeing to receive all medical services through the PACE organization, being age 55 and older) and Medicaid eligibility requirements. In the original estimates, Elderhaus proposes to provide services to 124 people within four years of becoming operational.

## H. Next Steps in PACE Site Development

There are many tasks that must be undertaken to pursue PACE site development. As the development process progresses, DMA will be able to report on the PACE administrative structure, an estimate of the numbers of Medicare and Medicaid eligible recipients that can be expected to receive services from the PACE sites, and the projected savings to the State from a PACE pilot program.

The next major steps in PACE Site Development are summarized in Table 2 below.

**Table 2: Next Steps in PACE Site Development**

<b>Activity</b>	<b>Target Dates</b>	<b>Current Status</b>
Develop and submit PACE amendment to the State Medicaid Plan	March to April 2005	Initiated.
Develop PACE eligibility requirements and include in State Plan Amendment	March to April 2005	Research underway.
Establish a preliminary rate-setting methodology and capitation options for PACE.	April to July 2005	Contract amendment with DMA's actuarial consultants requested.
Identify at least one provider organization in Western North Carolina interested in a PACE feasibility study.	June 2005	Discussing appropriate methods of identifying organizations with an interest in PACE.
Develop blueprint for PACE site development to include: 1. Development of policies and procedures for receiving and reviewing proposals from provider organizations. 2. License/certification requirements for PACE organizations and affiliated service providers. 3. Standards and criteria for judging the adequacy of the PACE provider network. 4. Provider accessibility criteria and standards. 5. Development of requirements for insolvency protection.	March to July 2005	Research underway.
Develop PACE Quality Assessment/Quality Improvement Plan.	June to July 2005	No activity.
If determined to be financially feasible, submit Wilmington PACE application to CMS.	To be determined.	

Prepared by  
North Carolina Division of Medical Assistance  
February 28, 2005